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C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 000014

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SUBJECT: "TRNC" WATER SUPPLY SITUATION DETERIORATING

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Classified By: CDA, a.i., JANE ZIMMERMAN FOR REASONS 1.5 (B) AND (D)

¶11. (C)Summary. The ongoing drought in Cyprus is accelerating the deterioration of the aquifers upon which the "TRNC" depends for virtually all of its water supplies. There are a variety of plans at various stages of development for addressing the water supply issue, however there is no coordination among the different projects and no overall strategic approach. This is due both to chronic inefficiency in the "TRNC government" and its reliance on Turkey and EU donors (upon which they have limited influence) for infrastructure development. If the drought persists and/or the water supplied from aquifers runs short or becomes more polluted, the risks to the "TRNC's" two major economic sectors, tourism and agriculture, could be severe. End Summary.

Aquifers Going Bad

¶12. (C) The "TRNC" depends on water from seven aquifers for 99 percent of its water supply. As in the Republic of Cyprus (see reftel), the majority of water (65 percent) is used for agriculture. In addition to water supplied to farmers from municipalities, most farmers have their own wells which are not regulated by the "government." A USAID contractor working with the "TRNC" on environmental issues tells us that it is therefore very difficult to monitor water usage levels and the rate at which the aquifers are being depleted. Due to a lack of information and a preponderance of hard clay soil, it is also difficult to estimate aquifer recharge rates. What is known is that the major aquifers are growing steadily more brackish - the Chief of the "Water Department" said that seawater is encroaching into the aquifer at a rate of 3 - 4 kilometers/year. Also, experts expect continuing intensive use of fertilizers and pesticides will further contaminate the aquifers. Currently, tap water is not considered potable by people in most parts of the "TRNC."

A Few, Bad, Solutions

¶13. (C) In a meeting with "Environment and Natural Resources Minister," Asim Vehbi, he acknowledged that "water is the most imminent problem we face" and plans to deal with the problem primarily by construction of desalination plants. Currently, only one such plant has been built with a capacity of 8000 cubic meters/day of which only 25 percent is utilized because of a lack of pipes to transport the output. Bids for a BOT-style project in Famagusta (a city which has had strict water rationing for years) are due January 11. Given the low cost to pump water from aquifers and the high cost to desalinate, we asked one of the bidders if he had confidence

that the "government" would make good on its ten-year contractual obligation to buy the plant's output given that many water users currently do not pay their water bills and the "TRNC" has perpetual budget difficulties. His response was that "Turkish assistance" would cover any gaps. (Note: This probably refers to the expectation that the winning bid consortium will include entities with close ties to the Turkish government/military and therefore have a means to assure that Turkish assistance continues to be directed to this project. End Note.) We also noted to the bidder that electricity for the project is expected to be supplied from the "TRNC" grid, even though there is barely enough generating capacity for current consumption. Wouldn't this necessitate on-site generation capability, thereby raising costs of water production even higher? The bidder waived this problem off: "whatever the cost, we will be compensated." None of the other three mooted desalination plants are past the talking stage.

¶4. (C) Other projects being considered involve increased pumping capacity for the largest aquifer. The USAID contractor lamented that no environmental impact assessment has been conducted to model the outcome of such a program, but her assumption was that increased rates of depletion would accelerate the deterioration of aquifer water quality. Finally, the Water Department is considering the construction of a pipeline from a dam to be constructed near Mersin, Turkey to supply water via a pipeline suspended (by its own buoyancy and secured by anchors to the seabed) 20 meters below the Mediterranean's surface across the 40 kilometer strait to Cyprus. The cost of such a major project and the use of untried technology make this approach appear unlikely.

¶5. (C) Water conservation is, theoretically, a priority for

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the "TRNC" administration. However, because water prices do not reflect the actual value of the commodity (and many people/municipalities don't pay their water bills anyway) price signals have proven inadequate to reduce wastage. Farmers especially treat the water from their wells as a cost-free input and past success in supplying water, including reduced water rationing, has left the impression among many city dwellers that the water supply problem is actually improving. The "Water Department" estimates that 60 percent of water is lost due to leakage. The EU currently has a project to replace water pipes in major cities, but work has progressed slowly.

¶6. (C) Comment: Although water is scarce and growing more so, there is no strategic plan to deal with the problem. Proposals are made and projects undertaken by donors on an ad hoc basis and the "Water Department" has neither the technical skill, funds, nor bureaucratic strength to impose an overall approach of its own. The "Environment Minister" mainly bemoans the difficulty in "managing the bureaucracy" and the planned reduction of his budget next year. When we suggested that perhaps his agency could do a better job of collecting water fees from municipalities to offset budget cuts, he replied that this was a "political issue." Turkish-Cypriot "officials" clearly expect donors will somehow deal with any water problems that arise. The lack of transparency in the use of Turkish development funds and lack of coordination between donors, and between donors and the "government," in the absence of any strategic and environmental approach means that the "TRNC officials" confidence is likely misplaced. Tourism and agriculture combined account for around 30 percent of the "TRNC's" GDP. Both sectors depend on consistently supplied, clean water. The risk is increasing that soon this water will not be available.

ZIMMERMAN